Erie Area[1]

	Ave. mo. value 2 Q.'88	Average monthly index seas. adj. (1977 = 100) 2 Q.'88	1 Q.'88	2 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	118.9	107	109	105
Unemployed, no. of residents	7.9	83	93	98
Rate, seasonally adjusted	5.9			
Civilian labor force, no. of residents	126.9	105	108	105
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	112.1	102	102	100
Nonmfg. only, no. of jobs	77.5	115	115	112
Mfg. only, no. of jobs	34.6	81	82	80
Hrs. worked by production workers in mfg., *ave. weekly*	42.5	104	104	101
Industrial electric power sales	***	117	115	107
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	29.3	−13		
Nonresidential contracts only	31.6	− 2		

[1]Erie County

nonfarm job levels continue to increase, they still fall short of pre-recession peaks. Elsewhere in the Commonwealth, total nonagricultural jobs currently stand at record highs. Furthermore, while the region has only recently set records with respect to nonmanufacturing jobs, the State has been operating with a record number of nonmanufacturing workers essentially since the recovery began. Likewise, while manufacturing jobs have been on the upswing of late, the 10,600 factory-related positions falls far below similar readings from the 1970s and early 1980s. Clearly, much room remains for improvement.

The region's jobless rate came in at a seasonally adjusted 4.9 percent in the second quarter, its lowest level since 1970 and off considerably from the recession high of 20.6 percent in early 1983. Over the five-year period since then, employment has increased by about 4,000, yet the number counted as unemployed has dropped by 8,400. Hence, the long-run decline in the labor force has accounted for a significant share of the drop in unemployment. Still, the 47,900 residents counted as employed in the second quarter is the highest reading since 1981.

Sharon Area[1]

	Ave. mo. value 2 Q.'88	Average monthly index seas. adj. (1977 = 100) 2 Q.'88	1 Q.'88	2 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	47.9	99	99	93
Unemployed, no. of residents	2.4	60	63	77
Rate, seasonally adjusted	4.9			
Civilian labor force, no. of residents	50.3	96	96	92
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	43.0	94	93	89
Nonmfg. only, no. of jobs	32.4	111	110	106
Mfg. only, no. of jobs	10.6	65	64	58
Hrs. worked by production workers in mfg., *ave. weekly*	40.9	n.a.	n.a.	n.a.
Industrial electric power sales	***	114	119	110
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	8.9	+141		
Nonresidential contracts only	4.7	+ 12		

[1]Mercer County

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

Although there were a few signs suggesting that growth slowed somewhat over the April-June period in the four-county Harrisburg-Lebanon-Carlisle metro area, the region's economy remains on an upward path and continues to turn in one of the strongest performances in the State. In that forecasts for a national recession anytime soon are becoming few and far between, it is quite likely that the region will continue posting solid numbers.

The region's strong performance is evident in recent trends in employment and unemployment. Throughout the current recovery, the area's jobless rate has remained at about 70 percent of the Statewide average. Second quarter's seasonally adjusted unemployment rate of 3.7 percent compares quite nicely with the 5 percent reading throughout Pennsylvania. Except for a brief dip near the end of 1986, both employment and the labor force have been at record high levels since shortly after the recession bottomed out around the beginning of 1983. Employment has remained above the 300,000 level after adjusting for seasonality since the third quarter of last year. So far this year, employment has expanded by 11,800, a gain strong enough to absorb an identical net inflow into the labor force.

Perhaps the best way to illustrate the strength of the region's performance with respect to nonfarm job growth is to examine trends over the course of the current business cycle. The metro area lost only 2,400 jobs, the second best showing in the State, during the general economic contraction lasting from, roughly, 1979-1982/1983. During the subsequent recovery, the region has added 39,400 jobs which trails only the gain in the Philadelphia region. As elsewhere in the Commonwealth, the majority of all new jobs have come in the nonmanufacturing sector. At 249,400, job levels in these establishments remain at a record high, even after adjusting for normal seasonal ups and downs. Even on the much-maligned manufacturing side, the region is at least holding its own. The 52,300 jobs in these establishments represent the highest second quarter total since 1984. Over the past five years, factory jobs have growth 2.5 percent in

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value 2 Q.'88	Average monthly index seas. adj. (1977 = 100) 2 Q.'88	1 Q.'88	2 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	304.7	121	122	118
Unemployed, no. of residents	12.0	75	81	79
Rate, seasonally adjusted	3.7			
Civilian labor force, no. of residents	316.6	119	120	115
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	301.7	122	121	118
Nonmfg. only, no. of jobs	249.4	129	128	125
Mfg. only, no. of jobs	52.3	96	97	95
Hrs. worked by production workers in mfg., *ave. weekly*	39.5	n.a.	n.a.	n.a.
Industrial electric power sales	***	94	97	77
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	159.9	+63		
Nonresidential contracts only	125.3	−45		

[1]Cumberland, Dauphin, Lebanon, and Perry Counties

these four counties of southeastern Pennsylvania compared to a 3.2 percent decline for all of the Commonwealth.

Construction activity is holding its own, especially on the residential side where contract values are up 63 percent so far this year. Also, building-related jobs are up by about 800 on a year-to-date basis.

Some recently released deomographic information also provides evidence of the strength of the region's economy. Household formation in the metro area has been growing at a rate double the Statewide advance. Likewise, while Pennsylvania's population remained essentially unchanged, population growth in the region ranged anywhere from 1.5 percent in Dauphin County to 8.4 percent in Perry County over the 1980-1986 period. Such a showing is usually indicative of a strong underlying economy.

Lancaster

Although the gains recorded in previous months may not have been repeated, economic conditions in Lancaster County continued to firm during this year's second quarter and the outlook, not only for this metro area, but for just about all of southeastern Pennsylvania, remains especially encouraging.

As a result of the overall solid showing turned in by the metropolitan area, construction activity continues to grow with residential contract awards up by more than one-quarter in value so far this year and nonresidential contracts up by one-half. The news remains equally encouraging elsewhere in the nonmanufacturing sector. About 6,700 new jobs were generated in these establishments between the second quarters of 1987 and 1988 as the 125,000-mark was eclipsed for the first time on record.

While these industries provide the bulk of all new job opportunities, Lancaster County manufacturers appear to be holding their own. It is of vital importance that the region maintain its current industrial base as well as pave the way for additional service-producing jobs as the two are related. Although a very slight 500 factory jobs were lost since 1987's second quarter, leaving this measure of manufacturing activity at 59,800, this does represent the second-highest April-June total since 1981. An analysis of long-term trends suggests that the region's manufacturers have fared considerably better than in the State as a whole.

As has been the case for several months running, Lancaster County continues to maintain the lowest unemployment rate among the Commonwealth's 15 metro areas. Second quarter's seasonally adjusted 3.4 percent reading was 0.3 point less than the next lowest in the Harrisburg-Lebanon-Carlisle region and 1.6 points lower than in the State as a whole. As it has since the recovery began, the region stands out in that unemployment has declined at the same time that the labor force has been expanding as employment gains have been exceptionally strong. As the number of unemployed and the jobless rate both drop, however, fears of a severe labor shortage and the resulting constraints on potential economic growth continue to escalate.

Lancaster Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'88	*2 Q.'88*	*1 Q.'88*	*2 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	208.8	133	134	128
Unemployed, no. of residents	7.6	87	90	92
Rate, seasonally adjusted	3.4			
Civilian labor force, no. of residents	216.5	131	131	126
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	185.6	130	130	126
Nonmfg. only, no. of jobs	125.5	147	146	140
Mfg. only, no. of jobs	59.8	105	106	106
Hrs. worked by production workers in mfg., *ave. weekly*	40.2	102	102	101
Industrial electric power sales	***	140	138	132
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	130.6	+28		
Nonresidential contracts only	48.5	+51		

[1]Lancaster County

Philadelphia

Nearly all indicators suggest that overall economic growth slowed somewhat in the eight counties making up the Philadelphia metro area during this year's second quarter. Still, such a development does very little in terms of subtracting away from the gains which have been accumulated over the course of the recovery stretching back to the early 1980s. In light of the fact that long-run trends remain positive despite second quarter's apparent rest, the future continues to look fairly promising for the region, though, again, external developments, especially national trends, will be the overriding factors influencing regional economic growth.

Although it has certainly been overshadowed by the (mostly positive) news generated by the service-producing industries, the manufacturing sector remains a major player in the southeastern Pennsylvania economy. In fact, despite the well-publicized job losses which have racked these industries, they still account for about one in five jobs in the region. Furthermore, trends over the past year suggest that the bulk of all manufacturing job losses have already occurred as payrolls have held fairly steady. Additional evidence of manufacturing's stabilization is found in the relatively high levels of

Philadelphia Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'88	*2 Q.'88*	*1 Q.'88*	*2 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	2,295.5	122	124	120
Unemployed, no. of residents	99.9	55	58	60
Rate, seasonally adjusted	4.1			
Civilian labor force, no. of residents	2,395.4	116	118	115
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,182.8	119	120	117
Nonmfg. only, no. of jobs	1,809.7	131	131	128
Mfg. only, no. of jobs	372.6	83	84	84
Hrs. worked by production workers in mfg., *ave. weekly*	40.5	102	102	103
Industrial electric power sales	***	109	111	104
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	967.2	− 2		
Nonresidential contracts only	772.0	−17		

[1]Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

power sales to industry and a 40.5-hour average factory workweek. Still, at 372,600 in the second quarter, factory job totals have bottomed out at record low readings, so the situation is far from rosy.

While the region's factories are just now emitting some fairly positive signals, conditions in the nonmanufacturing sector have been encouraging for several years running. An additional 40,700 jobs were added in these establishments between the second quarters of 1987 and 1988, leaving more than 1.8 million workers on payroll. Concerns have been expressed regarding the trade-off between the service-producing jobs gained and the goods-producing jobs lost. Indeed, the average job in the services industry, a sector which has accounted for over 40 percent of all nonmanufacturing jobs generated since the recovery began, pays anywhere from 84 percent of the average annual wage in manufacturing in Philadelphia County to 56 percent of the manufacturing wage in Delaware County.

Nonetheless, the gains in nonmanufacturing jobs have more than offset the losses associated with the factory sector. This is evident in examining job trends over the course of the current business cycle. After losing 6,000 nonfarm jobs during the first few years of the 1980s, these eight counties have generated a stunning 259,000 jobs over the course of the subsequent recovery.

Perhaps the most significant indicator of second quarter's slowdown is found in the resident employment data. The second quarter typically brings with it a gain of nearly 30,000 in the number of residents counted as employed, but this year employment actually declined by 2,000 to just under 2.3 million. Still, this represents the highest second quarter reading on record and leaves the number of residents counted as employed so far this year 61,000 greater than in the first half of 1987. This gain has absorbed a net inflow into the labor force totaling 56,000 and reduced the the number of unemployed by about 5,000.

All five of the Pennsylvania counties in the region appear to be taking part in the metro area's gains. This is especially true for the suburban counties where resident employment growth has averaged anywhere from 13.3 percent in Delaware County to 16.6 percent in Bucks County over the 1982/1983-1987 period. Philadelphia County turned in a slightly smaller 10 percent gain over the same period.

Reading

Some rather well-balanced gains were turned in by the Berks County economy during this year's second quarter. As a result, the jobless rate fell 0.5 percentage point from first quarter readings to settle at a seasonally adjusted 4.1 percent, the lowest it has been since 1974. At 3,100, second quarter employment gains were stronger than is usually the case for the period, a trend which helped keep unemployment on a downward path. All told, the 166,700 residents counted as employed represent another record and a continuation of several months worth of solid showings.

While new service-producing jobs continue to dominate employment trends, much smaller, though, in many ways, just as welcome, job gains have been registered by the region's manufacturers. Specifically, factory job levels have been on the rise for three consecutive quarters in Berks County after seasonal adjustment and the 48,800 positions maintained in these establishments during the April-June period represent the highest second quarter total in three years. Additional evidence of the manufacturing rebound are found in recent trends in the average workweek and power sales to industry which stand just below all time highs. However, as is the case in most other metro areas where similar improvement is being registered, Reading's gains must be placed in their proper historical perspective. Factory jobs still trail totals turned in during much of the period lasting from the early 1960s through the early 1980s.

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'88	*2 Q.'88*	*1 Q.'88*	*2 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	166.7	123	123	118
Unemployed, no. of residents	8.2	80	92	90
Rate, seasonally adjusted	4.1			
Civilian labor force, no. of residents	174.9	121	121	116
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	153.4	116	115	111
Nonmfg. only, no. of jobs	104.4	129	127	122
Mfg. only, no. of jobs	48.8	97	96	94
Hrs. worked by production workers in mfg., *ave. weekly*	40.9	105	105	104
Industrial electric power sales	***	137	140	133
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	70.7	+43		
Nonresidential contracts only	19.4	+ 3		

[1]Berks County

On the nonmanufacturing side, job records continue to be set practically every month. Second quarter's 104,400 nonmanufacturing positions represent a gain of 5,100 from year-ago figures. Construction continues to make a solid contribution to the region's overall economic growth as about 700 jobs have been added in these industries so far this year. Also, a solid gain, led by residential projects, has been turned in with respect to the value of construction contract awards so far in 1988.

This solid overall economic picture is reflected in certain demographic trends. So far this decade, Berks County's population has expanded by 2.5 percent while the State's population has only held steady. Furthermore, new households have been formed in the region at a pace 50 percent higher than in the State as a whole.

York

Second quarter did little to counteract an overall optimistic outlook for the York metropolitan area consisting of Adams and York Counties. Now that manufacturing appears to be taking part in the expansion, there are very few weak spots to be found in the regional economy. Indeed, the area remains a vital player in the overall economy of southeastern Pennsylvania which continues to lead the Commonwealth as a whole.

Since the recovery began around 1982/1983, 24,000 jobs have been created in the nonfarm establishments found in these two counties. This more than offsets the loss of 8,000 jobs which occurred over the previous contraction. So far

this year, 7,700 new jobs have been added to nonagricultural payrolls. Manufacturing accounted for 3,000 of these new jobs. Should factory job gains continue at this pace, 1988 will be the strongest year with respect to manufacturing payrolls since 1984.

The region's nonmanufacturers have added 4,700 jobs on a year-to-date basis so far in 1988. During the second quarter, more than 115,000 jobs were maintained in these facilities for the first time on record. Further gains are likely well into the foreseeable future as these industries will remain the engine behind the majority of the metro area's job advances. Concerns surrounding the wages of these new jobs relative to those offered in the goods-producing industries continue. In Adams County, average annual wages in the servics industries only come to about 74 percent of the average wage for all industries. The situation is slightly worse in York County as service wages average only 64 percent of those offered on the manufacturing side. Overall construction activity appears to be holding its own in the region as a solid showing with respect to residential contract values has offset sluggishness on the nonresidential side.

All of this good news is reflected in the highest resident employment readings on record (205,700 in the second quarter) and the lowest jobless rates since the mid-1970s (a seasonally adjusted 3.9 percent in the April-June period). The drop in unemployment has occured at the same time that the labor force has also moved to record highs whereas in several regions throughout Pennsylvania, the drop in unemployment has been helped by sluggish growth in the official pool of available workers.

— *William D. Anderson*

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'88	*2 Q.'88*	*1 Q.'88*	*2 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	205.7	134	134	128
Unemployed, no. of residents	8.9	82	93	90
Rate, seasonally adjusted	3.9			
Civilian labor force, no. of residents	214.6	131	131	125
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	176.2	124	123	118
Nonmfg. only, no. of jobs	115.7	140	138	134
Mfg. only, no. of jobs	60.5	102	102	96
Hrs. worked by production workers in mfg., *ave. weekly*	42.5	104	104	103
Industrial electric power sales	***	122	120	110
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	107.0	+55		
Nonresidential contracts only	33.1	−19		

[1]Adams and York Counties

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SECOND HALF LOOKING GOOD FOR NOW

The Pennsylvania economy began the second half of 1988 by turning in a performance very similar to that from the first six months of the year. Specifically:

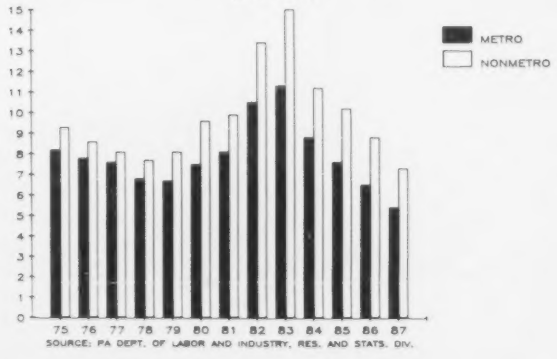
- **— Employment and job levels continue to remain at or just slightly below record high readings;**
- **— The majority of trends suggest that factory activity continues to expand;**
- **— Spending on retail goods by Pennsylvanians continues to advance; and,**
- **— Circumstantial evidence suggests that building activity is holding its own, though it is probably not growing by any considerable degree.**

July brought with it a continuation of recent employment/unemployment trends as the number of Commonwealth residents officially counted as employed rose slightly to 5.43 million, seasonally adjusted, and the jobless rate remained in the 5-5.5 percent range, although it did rise by a slight 0.2 percentage point for the month to settle at 5.3 percent. Still, unemployment remains very near its lowest readings in approximately a decade-and-a-half. These trends fall very much in line with earlier expectations, but **the first bit of news on the economy's health for August highlights improvements on the employment/unemployment front which are in excess of current expectations by a considerable amount.** Clearly, the situation remains encouraging.

In the past, the *PBS* has identified the discrepancies in growth across the service- and goods-producing sectors and across east/west boundries in Pennsylvania, often by using trends in employment and joblessness as evidence. A third dichotomy, one which often goes unnoticed, can also be added to the list: a discrepancy between the metropolitan and nonmetropolitan regions of Pennsylvania. This is brought to light in the accompanying chart which illustrates the fact that jobless rates in nonmetro areas consistently exceed those in metropolitan counties. It must be pointed out, however, that such differences are evident throughout the nation, not just in Pennsylvania. In fact, although per capita income is much lower in rural counties in the Commonwealth than in urban regions, again reflecting the dichotomy between the two, the gap is not as large as in the nation as a whole (see chart). **It appears that as the economy has become more service- and information-oriented, the metro regions of both Pennsylvania and the U.S. have been better able to adapt than their nonmetropolitan counterparts, as they have provided more ready markets on both the input and output sides of the equation.**

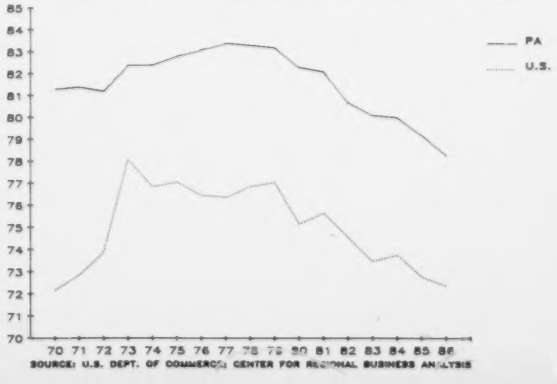
Not only are improved employment prospects for Pennsylvanians as a whole evident in the monthly survey of households taken as part of the U.S. Bureau of the Census' *Current Population Survey*, but they are also evident in information generated through the *Current Employment Statistics* program which represents a cooperative effort of state and federal agencies and provides information on establishment job levels and trends. At least at first glance, **perhaps the most encouraging piece of news comes from the State's factories as employment rose by a seasonally adjusted 7,000 in July from the previous month to settle at 1.06 million, with**

PENNSYLVANIA METROPOLITAN VS. NONMETROPOLITAN UNEMPLOYMENT RATES
(percent)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY, RES. AND STATS. DIV.

NONMETROPOLITAN PER CAPITA INCOME AS A PERCENTAGE OF METROPOLITAN PER CAPITA INCOME



SOURCE: U.S. DEPT. OF COMMERCE; CENTER FOR REGIONAL BUSINESS ANALYSIS

all of the gains coming in the durable goods producing industries. This gain, however, resulted from the fact that down-time for vacations was probably not as pronounced this past July as is normally the case. Indeed, before adjusting for seasonality, job levels actually fell, but only by about half as much as usual.

Steel's fortunes continue to rebound as average daily production was at its highest July reading since 1981 and was up by 12.9 percent from the previous month on a seasonally adjusted basis. Still, the ground lost by these industries, especially over the course of the past decade, will surely never fully be regained. For instance, while primary metals industries accounted for 93,400 jobs in July, up from 88,800 a year ago, this compares with job levels in excess of 200,000 throughout much of the 1970s. This brief "case study" represents an excellent synopsis of the vast majority of the manufacturing sector: while short-term news is encouraging, and probably will remain so, the overall picture in the State's factories leaves a fair amount to be desired compared to historical trends.

Similar short-term good news is evident in most nonmanufacturing industries, but unlike the factory sector, these recent gains are not being tempered by sluggish long-term performances. All told, there were just under 4 million workers in Pennsylvania's nonmanufacturing establishments in July, which translates into a new record after seasonal trends are discounted. As has been the case, most of the good news continues to come from the service-producing sector.

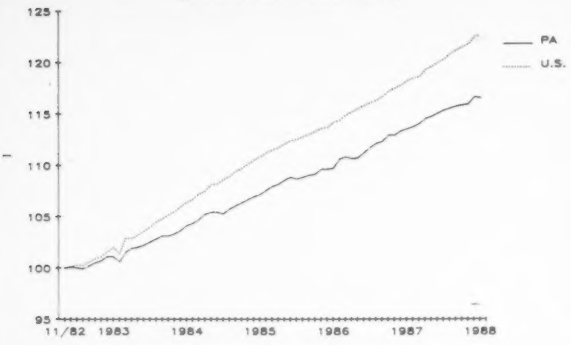
Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1988		1987	1988		1987	1988		1987
	June	*July*	*July*	*June*	*July*	*July*	*June*	*July*	*July*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,075	5,056	4,931	5,035	5,043	4,923	110.3	110.5	107.8
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,015	3,999	3,888	3,986	3,989	3,878	123.7	123.7	120.3
Mining	30	30	31	29	29	30	60.6	60.4	62.3
Contract construction	246	257	243	236	238	224	128.3*	129.4	121.9
Transportation	142*	137	135	140	143	140	87.0*	88.6	87.2
Public Utilities	106	106	106	105	105	105	104.5	104.1	104.0
Wholesale trade	270	271	267	268	268	264	121.1*	120.7	119.1
Retail trade	880*	877	860	876	877	860	122.1	122.2	119.8
Finance, insurance & real estate	300*	302	297	297	297	293	136.6*	136.7	134.6
Service & miscellaneous	1,345*	1,352	1,284	1,336*	1,345	1,278	154.9*	156.0	148.2
Federal government	144	144	142	143	142	141	111.6*	111.0	109.7
State & local government	552	523	522	554	543	542	95.1	93.2	93.1
Manufacturing									
No. of wage and salary jobs (thous.)	1,059	1,052	1,042	1,048	1,055	1,045	78.1*	78.6	77.8
Durable goods	606*	605	592	599	604	592	73.9*	74.6	73.1
Nondurable goods	453*	447	449	449	449	452	84.4	84.4	85.0
Ave. wkly. hrs. worked by prod. workers	41.2	40.8	40.9	41.0	40.9	41.0	103.8	103.5	103.7
Total wkly. person-hours worked (mils.)	29.9*	29.3	28.8	29.4*	29.5	29.0	76.6*	76.9	75.5
Total wkly. payroll (mil. dols.)	305.8*	301.2	285.6	301.5*	304.3	288.3	134.2*	135.4	128.3
Average hourly earnings (dollars)	10.23	10.27	9.91	10.25	10.29	9.93	175.2	175.9	169.7
Average weekly earnings (dollars)	421.48	419.02	405.32	420.22	421.55	407.58	181.7	182.2	176.2
Steel production (thous. tons)	1,131*	1,149	933	n.a.	n.a.	n.a.	50.6*	57.2	49.4
Industrial electric power sales (mil. kwh)	3,832	3,849	3,737	3,761	3,800	3,709	101.8	102.9	100.4
Mining									
Anthracite coal (thous. net tons)	355	309	426	354	301	393	72.5	61.6	80.5
Bituminous coal (thous. net tons)	6,452	5,538	4,994	6,420	6,493	5,897	91.0	92.1	83.6
Construction contracts awarded (mil. dols.)									
Total	1155.0	818.8	828.5*	827.0	738.7	707.9*	257.1	229.6	220.0*
Residential building	385.8	392.8	368.0*	329.1	338.1	294.2*	233.8	240.2	209.0*
Nonresidential building	385.6	238.2	257.1*	270.8	239.7	228.3*	249.6	220.9	210.4*
Nonbuilding (utilities and public works)	383.6	187.8	203.4*	227.1	160.9	185.4*	313.3	222.0	255.8*
Retail Sales (mil. dols.)	6,745	n.a.	6,255†	6,617	n.a.	6,133†	n.a.	n.a.	n.a.
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,461	5,568	5,458	5,411	5,429	5,315	112.6	113.0	110.6
Unemployed									
No. of persons (thous.)	325	315	335	292	304	322	72.9	75.7	80.3
Rate (percentage of labor force)	5.6	5.3	5.8						
Rate, seasonally adjusted				5.1	5.3	5.7			
Civilian labor force, no. of persons (thous.)	5,786	5,882	5,794	5,703	5,733	5,637	109.5	110.1	108.3
Initial claims for unemployment benefits	73,976	82,617	93,945	83,192	82,103	88,264	58.1	57.3	61.6

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1988		1987	*Month Ago*	*Year Ago*
	June	*July*	*July*		
U.S. city average	118.0	118.5	113.8	+0.4	+4.1
Philadelphia	121.9	123.2	117.4	+1.1	+4.9
Pittsburgh	114.3	n.a.	111.1†	n.a.	+2.9

[1] Total includes workers on strike. * = figure revised † = figure for June 1987 n.a. = data not available

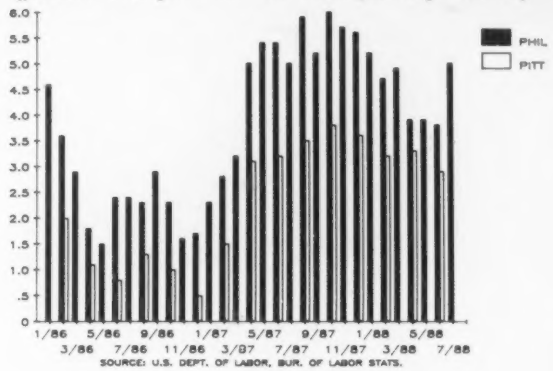
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

SERVICE-PRODUCING JOBS IN THE CURRENT RECOVERY
(November 1982=100)



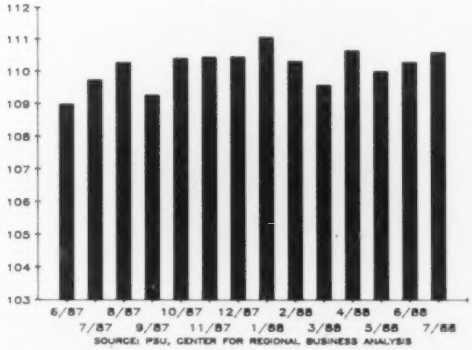
SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

PHILADELPHIA AND PITTSBURGH INFLATION RATES
(percent change in the CPI from year-ago month)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

While the accompanying chart shows that nearly continuous job gains have been registered by the State's service-producing establishments over the course of the current recovery, it also suggests that these gains have not measured up to those recorded throughout the nation, and this "peformance gap" shows no signs of narrowing.

Within the nonmanufacturing sector, **retail activity continues to expand in the Commonwealth.** Specifically, retail sales surpassed the $6.6 billion mark for the first time in June after adjusting for seasonality. Through the first half of this year, sales grew by 9.8 percent from the same period in 1987. This compares rather favorably with the 7 percent gain recorded nationally. Sales and use tax collections by the Pennsylvania Department of Revenue, which represents yet another indicator of retail sales activity, grew by 8.4 percent on a year-to-date basis during the first six months of the year, providing further evidence of a strong showing. (Beginning with this issue of the *Pennsylvania Business Survey*, retail sales will be reported on a monthly, rather than quarterly, basis in an effort to present a more detailed overview of economic activity within the Commonwealth. In that the data is released with a longer lag than that for the majority of the data presented in the *Survey*, it will not be quite as current.)

Trends in construction contract awards remain unimpressive. In fact, the value of total awards in July was off by 1.2 percent from a year ago. For the first seven months of 1988, total awards have advanced by just 4.6 percent, the worst showing since 1983. Sluggish performances have been turned in by both the nonresidential and nonbuilding sectors so far this year, with only a minimal gain in residential contract values. (Caution is required in making month-to-month comparisons as there are indications that July's seasonal factors do not adequately reflect normal seasonality.) **On the other hand, construction jobs remain at record high readings, implying that these industries remain healthy.**

As shown in the accompanying chart, it is apparent that there was an uptick in price pressures in both the Philadelphia and Pittsburgh regions around mid-year 1987. (These are the only two regions in Pennsylvania for which CPI data is available.) In fact, for more than a year, the percentage growth in the CPI, expressed on an annual basis, has averaged out at about 5 percent in southeastern Pennsylvania and 3.3 percent in the Pittsburgh metro area. Inflation has not been that high since 1981 in Philadelphia and 1984 in Pittsburgh. In the U.S. as a whole, where similar renewed price pressures are also evident, general inflation and the resulting bottlenecks in the labor and financial markets are viewed as the most likely catalysts for any possible downward trend in growth.

But for now, the overall situation appears fairly encouraging in the Commonwealth. Indeed, the fact that the Pennsylvania index of leading indicators has advanced in each of the past two months and has not exhibited any consistent downward trends over the course of the past several months, combined with the solid employment/unemployment showing in August, suggests that **further advances in economic activity are likely, though the degree of this expected improvement remains to be seen.**

— William D. Anderson

Personal Income Report

Recent issues of the *Pennsylvania Business Survey* have pointed out the improvement in the performance of the Pennsylvania economy which began near the end of 1987 and has continued through the first half of 1988. As it has for the past several quarters, that improvement continues to be reflected in trends in personal income as fairly solid gains have been registered over the past year, even relative to the U.S. as a whole. For the first quarter, personal income, the total of all income including earnings, transfer payments, and

Pennsylvania personal income
(seas. adj. ann. rates; millions of dollars)

	Personal income	Pct. change Qt. agp	Pct. change Yr. ago	Nonfarm personal income	Pct. change Qt. ago	Pct. change Yr. ago
1988:IQ	186,230	0.7	6.7	185,260	0.8	6.8
1987:IVQ	184,999	2.5	7.6	183,851	2.5	7.5

Source: U.S. Dept. of Commerce, Bur. of Econ. Analysis

interest/rent/dividend receipts, is estimated to have been $186.2 billion in Pennsylvania. This represents a gain of 6.7 percent from the first three months in 1987, 0.4 percentage point greater than the advance recorded in the nation as a whole. Even with the volatile farm sector excluded, income growth in the Commonwealth outpaced national gains.

While year-over-year gains in personal income have been stronger in Pennsylvania than in the nation in three of the past four quarters, the accompanying chart suggests that this should not be interpreted as the start of a trend in light of the continuous shortfalls racked up over the course of several years. (Negative values in the chart represent the amount by which U.S. annual growth rates exceed Pennsylvania readings. Positive values occur when personal income growth in the Commonwealth is higher than in the nation.) In fact, an examination of quarter-to-quarter growth rates, which are not shown in the chart, shows that the Commonwealth has lagged national norms in each of the past two quarters. So, while recent good news has been welcome, the longevity of these positive trends is far from certain.

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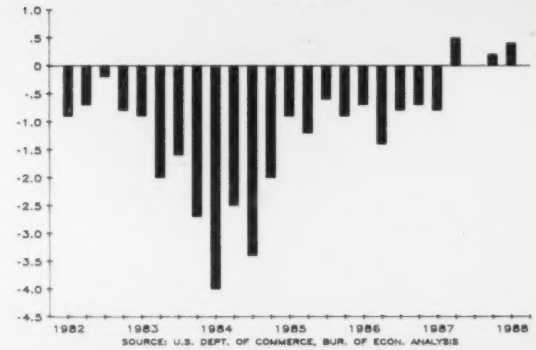
PA PERSONAL INCOME GROWTH RELATIVE TO THE U.S.
(percentage point difference in annual growth rates; PA minus U.S.)



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